d States
rtment of
ulture

Office of
Governmental
and Public Affairs

Major News Releases and Speeches

Oct. 22 - Oct. 29, 1982

IN THIS ISSUE:

Speeches—

Remarks prepared for delivery by Assistant Secretary of Agriculture William G. Lesher before the Agricultural Extension Service and the Department of Agricultural and Applied Economics, University of Minnesota, Minneapolis, Minn., Oct. 25, 1982

Remarks prepared for delivery by Secretary of Agriculture John R. Block before Agway's 18th Annual Meeting, Syracuse, N.Y., Oct. 29, 1982

News Releases—

Horse Inspections Increased at Western Canada Ports of Entry

Delaware Becomes 12th State Rated Free of Cattle Brucellosis

California Farmers to Get $43 Million in USDA Crop Insurance

USDA and Perdue Settle Packers and Stockyards Complaint

September Food Prices Up Slightly

USDA Appoints Cost of Production Review Board

USDA Tightens Import Health Test Rules for Cattle from Ireland

USDA Expands California Boll Weevil Survey and Detection Efforts

Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Assistant Secretary of Agriculture William G. Lesher before the Agricultural Extension Service and the Department of Agricultural and Applied Economics, University of Minnesota, Minneapolis, Minn., Oct. 25, 1982

Financial Conditions of U.S. Agriculture

These are difficult financial times for the farm sector. The current slow U.S. economic growth is certainly a factor. However, as exports have become an increasingly important outlet for U.S. commodities, the farm sector has become more sensitive to international as well as domestic developments. The United States and the world do have large supplies in most agricultural commodity markets, but it is the weakness in world demand which is creating the downward pressure on prices.

While we have implemented farm programs to encourage our farmers to make production adjustments and reduce supplies, it is the reduction in inflation and interest rates, and the need for renewed economic growth both here and abroad which are the keys to returning prosperity to the farm sector in 1983.

Overview

The outlook for the farm economy continues to be dominated by weak export demand, large and growing stocks, low crop prices, and large debt burdens. Some signs of improvement in domestic and world economies are cause for optimism in the farm sector. It will take time, however, before the impact of these improvements are felt by farmers in terms of increased markets, improved prices, and incomes. Continued progress in reducing inflation, however, has already been reflected in farmers' expenses and significantly lower increases in production costs are forecast. Interest rates have fallen recently and will provide significant relief to farmers heavily reliant on credit in the coming year.

The linkages between the U.S. agricultural sector and world economies grew dramatically during the 1970's. Export markets are now the dominant outlet for several major farm commodities. Each year,

U.S. farmers export about one-half of their soybean production, about two-thirds of their wheat, and one-third of their corn. The export share of many other crops, including rice, sorghum, cotton and tobacco, tells a similar story. The rapid expansion in the export markets was the major reason during the 1970's for the growth and investment in agriculture and higher income levels. While offering greater opportunities, this reliance on export markets has also generated increased marketing and financial risks for farmers.

For the U.S. farmer, the risks relative to his counterparts in many competing countries are higher because the United States has become a residual supplier into many markets. While the grain embargo certainly was a factor in creating this role for the U.S. in the Soviet and Eastern European markets, the policies of many foreign countries have forced the U.S. into this role in other markets.

Countries which try to isolate their farm and food sectors by subsidizing exports or artificially supporting high internal prices are preventing their producers and consumers from participating in the supply and demand adjustments which are necessary to increase world prices. The result is a greater adjustment burden for United States producers.

The increasing reliance on exports has also made the farmer more vulnerable to exchange rate fluctuations. While a weakening dollar through much of the 1970's was a stimulus to demand because our products were cheaper in terms of foreign currencies, the current strengthening of the dollar has had the reverse effect. In the past two years, the value of the dollar against other currencies increased by roughly 20 percent.

While this reflects the relative strength of the U.S. economy and the view around the world that we are on the right track with our economic recovery program, it forces large economic adjustments on U.S. sectors that are highly dependent on export markets. U.S. consumers of foreign cars, energy and other imports benefit from more valuable dollars; however, farmers are left less competitive in terms of price in world markets.

For example, even though the price of wheat was declining in domestic markets, the price to many foreign purchasers in terms of their currencies grew by 35 percent over the last two years. These

fluctuating exchange rates are a reality of the marketplace and must be accepted as part of the risk in trading on world markets. However, the full impact of changes in exchange rates on the well-being of agriculture in not well understood by most.

Not unrelated is the role that credit has played in world markets. I think it is safe to say that the period of unparalleled expansion in the magnitude of worldwide credit has come to an end. The list of countries with extraordinary credit problems includes some of our important markets—Mexico, Poland, Brazil, Venezuela, Peru, Bolivia, Romania and so on. While I am confident that the international financial system will absorb the significant debt rescheduling that will be necessary, it will be a continuing problem and likely slow the rate of growth in trade in future years.

If the same amount of credit available in the previous five years were available in the next five years, the resulting stimulus to demand would be less because so much of it will be needed to pay interest on the existing debt. Additionally, the increased risks will make financial institutions less aggressive in providing credit even at higher interest rates and shorter maturities.

The inflation-fed high interest rates that began their rapid escalation in the late seventies also have been particularly damaging to the financial well-being of the farm sector. This year farmers will spend $77 billion dollars on non-farm-produced inputs, about 25 percent of which will be purchased with the use of credit. Of about $30 billion in capital purchases, 50 percent will be financed. Since 1979, the credit costs for wheat, soybean, and corn producers nearly doubled, increasing to one-sixth of total production costs, excluding land charges. Total interest expenses amounted to $22 billion in 1982.

Since agriculture is highly dependent on inventories to carry out its operations, high interest rates also have substantial hidden costs and cause many producers to alter marketing patterns. High interest rates also cut into net farm income by increasing production expenses as higher interest charges paid by non-farm manufacturers and suppliers of goods and services to the farm sector are passed along in the form of larger prices.

In addition, high interest rates force grain processors and others in the marketing chain to hold only pipeline levels of stocks. The impact

of high interest rates on economic activity, disposable income, and consequently, demand for farm output is also important.

Programs for Agriculture's Recovery

With agriculture's well-being now so closely tied to economic developments outside the sector, the best policy for long-term prosperity in agriculture is one leading to a healthy domestic and world economy. Few doubt that severe policy changes were required when interest rates topped 20 percent and the rate of inflation exceeded 13 percent. The adjustments now taking place in agriculture are difficult and have resulted in economic losses for some farmers—especially those who had banked on inflation-induced growth in asset values being converted into additional financing in the future.

The administration has implemented policies designed to correct the undesirable conditions in the U.S. economy, and to the extent possible, insure that agriculture does not bear a disproportionate share of the adjustment burden. The objective is long-term improvement in economic conditions facing all sectors of the economy including agriculture. They also imply, however, that agriculture has had to tighten its belt and share in the adjustment. By sharing in the adjustment farmers will also share in the broad economic improvement.

This administration's fiscal policy is designed to stimulate economic growth in the private sector and reduce the public sector's share of economic activity. Four major parts of this program are: first, to reduce the rate of government spending; second, reduce marginal tax rates for individuals; third, provide greater incentives for investment through more rapid depreciation of plant and equipment and other types of tax credits; and finally, to reduce overregulation in the economy—which has protected inefficient producers, reduced individual incentives, and imposed unnecessary costs on conducting business.

The administration also strongly supports the Federal Reserve Bank's objective of steady growth in the money supply at a rate more closely related to the rate of growth in potential long-run output. Stable growth in the money supply will ultimately lead to milder swings in general economic activity and financial variables, and lead to an environment conducive to planning and investment.

The agricultural programs of this administration are designed to protect U.S. agriculture from economic and natural disasters, and maintain flexibility so farmers will respond to market signals. In addressing these objectives, under the current surplus situation, the administration has provided direct financial assistance to farmers that will total a record $12 billion in fiscal 1982. Net outlays for ongoing CCC programs will increase by about $6.5 billion—over 2.5 times the fiscal 1981 outlays. Thus, I challenge those that suggest that the current farm policies are not providing support to farmers when prices are depressed.

In addition, we continue to actively promote our commodities and seek to expand export markets. The secretary of agriculture has just announced a three-year $1.5 billion "blended credit" program to expand exports of U.S. agricultural products. Interest-free direct government export credits will be blended with government guaranteed private credit to produce a lower interest rate. Funding for the government loan guarantee export program has also been increased to $2.8 billion.

Another $1 billion in loan guarantees has been provided to Mexico. Additionally, trade teams have been sent to 23 nations to develop markets for our commodities. We have vigorously negotiated with other countries to reduce trade barriers and export subsidies to expand our market opportunities and achieve a more equitable distribution of the adjustment burdens the market may signal. At the GATT ministerial in November we will again aggressively pursue the reduction in subsidies and trade barriers which have impacted our markets.

In rebuilding American agriculture's reputation as a reliable supplier, the president has explicitly stated that:

— restrictions will not be imposed on farm exports because of rising domestic prices;

— farm exports will not be singled out as an instrument of foreign policy—embargoes of farm products would only be considered as part of a larger embargo in a situation so extreme that our national security is threatened, and

— world markets must be freed of trade barriers and unfair trade practices.

In addition, the president recently announced specific supply assurances to the USSR for up to 23 million metric tons of grain. We

believe that because of the grain embargo, which was lifted by this administration in May of 1981, we are now more than ever a residual supplier of grain. We are carrying more than our share of the world grain stocks and our producers are making the only significant production adjustments among major exporter countries. This situation cannot continue.

In seeing that the future productivity of agriculture is maintained, we have been careful to protect agricultural research and extension programs. In other areas, we have worked with Farmers Home Administration (FmHA) borrowers to permit extended repayment of delinquent loans and have allocated FmHA funds to areas that will provide the greatest assistance for our farmers.

These broad economic and agricultural policies do not guarantee a profit for all farmers. Government programs that protect agriculture from changes in market conditions would not be prudent or constructive in building a long-term healthy and competitive farm sector. The U.S. farmer wants his income from the marketplace and not from the government. Lasting prosperity in agriculture can only be achieved through a healthy, growing economy.

We believe that we are on the path for recovery. Interest rates, which affect a large portion of farm activity, have been significantly reduced from over 20 percent to below 12 percent. Interest rates paid by farmers are expected to continue to decline in 1983. Double digit inflation has been cut in half and continued low rates are projected for 1983.

Agriculture is certainly not out of the woods. The president has stated from the beginning that our economic problems were decades in the making and we should not expect them to be resolved quickly. The transition to a healthy economic environment will not be painless.

Current Financial Conditions in Farming

The cost-price squeeze continues to plague farmers. Over the past three years, prices paid by farmers have increased by 38 percent, while prices received increased by 20 percent. Total cash receipts for 1982 will be somewhat less than year-earlier levels because of lower crop prices. Crop receipts will fall by 3 to 4 percent despite record marketings and heavy use of CCC loans. Food grain and cotton receipts were hardest

hit. Livestock receipts are forecast to rise 2 percent with hog and cattle receipts showing the greatest improvements.

Farm input prices are expected to increase by 3 percent in 1982—the smallest rise since 1968 and in marked contrast to the 11 percent increase last year. Feed prices showed the greatest decline in 1982, down a tenth, due mainly to large stocks and weakening demand. In contrast, interest expenses show the biggest increase from last year at 12-14 percent, reflecting growth in farm debt outstanding and interest rates.

It is important to note that interest expenses are likely to exceed $22 billion this year which is about 15 percent of total farm production expenses of $144 billion. This is more than double its share of 10 years ago.

Another major development over the past year has been the decline in farm real estate values. After increasing at an annual rate of 13 percent during the 1970's and 9 percent in 1980, farmland values declined by 1 percent in 1981. The greatest declines were registered in the Corn Belt, Great Lake States, and the Southeast. The declining strength of the land market mirrors reduced expectations of returns to agriculture. Net farm income, one measure of returns to the operator for his labor, management, and capital investment, is forecast to be $19 billion for this year.

Rates of return on investment in agriculture have declined sharply over the past two years and will likely decline again in 1982. Most operators with large debts earned excellent returns on their farm investments in the 1970's, mostly in the form of capital gains due to rising asset values. While debt-free farmers showed modest annual returns of about 10 percent, highly leveraged investors showed returns to equity of nearly 20 percent annually. The tables have now turned with the debt-free operator now realizing a significant advantage.

Even though the debt to asset ratio is still relatively low, it increased to 18.5 percent on January 1, 1982 from the 16.6 percent of a year earlier. This resulted from an 11 percent increase in total farm debt and declining asset values.

Much has been written in the media and discussed in Congress about the financial conditions of our farmers. We are very concerned and are working closely with agricultural lenders to monitor the

situation. While many farmers have been adversely affected by the prolonged economic slump, the percentage of farmers that have gone out of business is small—about 2 percent nationwide and largely limited to those who were highly leveraged during the current period of economic stress. Most farmers who left farming did so by voluntarily liquidating their assets.

Currently, 5 percent of farmers are financially vulnerable due to their highly leveraged situations. Some of these farmers may not be able to continue in 1983. But every effort is being made by FmHA or other agricultural lenders to provide some form of debt assistance and loan supervision. Secretary Block has personally asked the financial community to work closely with farm borrowers.

Those producers who have maintained a good equity position, can reduce operating expenses, or postpone capital purchases will certainly have an advantage in the future.

In a recent survey of agricultural bankers, we found that the national average bankruptcy ratio was about three-fourths of one percent in the year ending June 1982. While not good, such a ratio would be the envy of private individuals and other sectors of the economy even in the best of times.

The survey also showed that about 3.3 percent of their customers had their financing discontinued over this same period. Many such borrowers were forced to liquidate some portion of their assets in order to obtain the cash necessary for continued operation. While the overall situation is not as bad as some suggest, the pain is no less for those who do have to quit farming.

The financial situation in the farm sector differs significantly by region. Agricultural bankers in the South report delinquency rates that are about 50 percent higher than the national average of about 4 percent. The Corn Belt delinquency rates are about average.

Banks in the South report that about 6 percent of farm borrowers had their financing discontinued, while less than 3 percent were discontinued in the Corn Belt. Cotton producers appear to be hardest hit. Bankers indicate that in areas where cotton is the major crop, 5 percent of their borrowers were delinquent and about 5 percent had their financing discontinued. Delinquencies and discontinued financing

were generally lower in areas that are heavily engaged in livestock operations—generally less than 3 percent in both cases.

Bankers are somewhat more pessimistic about financing conditions in 1983. While credit is available and bank liquidity is very favorable, more farmers will find it difficult to qualify. Borrowing capacity of many farmers has eroded with the decline in farm equity and many lenders have increased collateral requirements.

Nationwide, bankers expect that the weak economic conditions of the U.S. and world economies will limit any price improvements. As a result, slightly more than 4 percent of their borrowers will have their financing discontinued in the year ending June 1983—up less than 1 percentage point. Bankers in the Corn Belt expect the percentage of farm customers who will have their financing discontinued to rise to 4.2 percent—up slightly more than 1 percent. In the South this percentage is likely to rise to 7.7 percent—up slightly more than two percentage points.

Concluding Comments

We are going through a period of adjustment within the farm sector and the whole economy. The adjustments taking place in agriculture are due to factors largely outside its control: sluggish export markets, exchange rate adjustments, record crop yields for two consecutive years, weak domestic demand and high interest rates.

The best solution for agriculture is a broad based economic improvement both domestically and internationally. This will take time and we have put in place programs to help support the agricultural economy.

I have indicated that progress is being made on all fronts which should lead to renewed economic growth and lower unemployment. Inflation has been halved. Interest rates have declined dramatically, leading to increased consumer spending and improved stock and bond markets. Foreign interest rates continue to drop which ultimately will result in improved exports as an easing in financial pressures permits a partial recovery overseas.

Declining interest rates and reduced inflation will mean lower production costs across the board for farmers. Our analysts project increases in farm production expenditures of 1 to 3 percent, which is

historically very low. Lower interest rates, while reducing costs for farmers who acquire new real estate or non-real estate debt, will also allow some breathing space for farmers who are now financially strapped.

Not all farmers are losing money nor are they all on the verge of bankruptcy. Cash grain, oilseed and cotton producers have been hard hit. But livestock and dairy producers, who account for over half of all farm receipts, have seen steady improvement in their situations. Producers of fruits, vegetables and a number of other commodities have not been as seriously impacted.

On the policy side, we have offered an acreage reduction program that will help bring supply and demand of major agricultural crops into balance and thereby reduce burdensome stocks which overhang the market. The advanced payment provisions of this program will pump $2 billion dollars into the farm economy, improving the cash flow position of eligible farmers. Accelerated depreciation and personal tax cuts will act to do the same.

The large government outlays currently being made to support the farm sector have attracted considerable attention in this period of concern with federal spending. Critics of the farm program cite the fact that agriculture's share of net-government outlays in 1982 is likely to reach $12 billion, almost twice the previous record.

In agriculture's defense, I would make two points. First, $6 billion of the $12 billion in outlays in fiscal 1982 will be in the form of commodity-secured loans to farmers that will be recovered in future years as loans are repaid. Should farmers default on these loans, the government will assume ownership of collateral and sell the products involved to recover program costs. Secondly, the additional $5-6 billion spent in 1982 to keep agriculture viable has to be weighed against the longer term benefits agriculture provides to the general economy.

A viable, productive agriculture provides the American consumer with a stable supply of high quality food at one of the lowest costs in the world. Agriculture's record output has been instrumental in keeping the farm sector's share of food price increases over the last three years to less than 12 percent, compared to a 33 percent general rate of inflation. If farm price increases had matched the general

inflation rate, American consumers would be spending $15 billion more for food this year.

In addition, had farm prices increased at the general rate of inflation, both the government and the private sector would be paying $5 billion or more in 1982 in payments for food stamps, welfare, and related federal programs and public and private retirement tied to the cost of living. These savings, coupled with the contribution that agricultural export earnings make to the U.S. trade balance and increased employment, more than offset outlays to support agriculture, even after providing for 1982's unusually large total.

In closing, agriculture is a vital industry in the U.S. economy. It is vital domestically and vital to the international interest of the United States. I am convinced that given the administration's program for economic recovery, the agriculture sector will return to the prosperity it deserves.

This will take some time. In the meantime, I would suggest that with the huge level of stocks we now expect next year—even with large acreage reduction and paid diversion programs that should keep our 1983 production from adding to the problem—the farm policy debate in 1983 will focus on more drastic measures to reduce production or increase export demand to reduce anticipated carryover stocks. In other words, until we work off the large amount of grain that we now have on hand, our high stock levels will continue to put downward pressure on prices.

Already one hears talk about more massive acreage reduction programs for 1984 crops—including mandatory cutbacks. Also, there is discussion about large programs to move the grain through more generous credit programs, export subsidies, and giveaway schemes. Either position has its pluses and minuses—we know because we have had both types of policies in place during the last 50 years.

An added dimension to the debate this time, however, is that it will take place in an environment where reducing federal deficits will be of utmost importance and in a world where agriculture protectionism appears to be on the rise. Thus, the debate will be complex, extensive, and far reaching.

#

Remarks prepared for delivery by Secretary of Agriculture John R. Block before Agway's 18th Annual Meeting, Syracuse, N.Y., Oct. 29, 1982

I'm real glad that I was able to make it here to your meeting this morning, and to spend some time talking with all of you. You are a distinguished audience. . .you represent the farmer members in the structure of a great farm supply and food marketing cooperative. . .and I consider it an honor that you have invited me.

I say this because I am, and have always been a strong supporter of the cooperative effort. They have played a very important role in my own farming operation, as they did for those in my family who pioneered the farm before me. I have always viewed cooperatives as a concept of what agriculture is all about. . .how farmers can work together within the free enterprise system.

Your cooperative—Agway—has taken this concept and made it work. With nearly $4 billion in sales last year, Agway has again displayed its leadership in this industry. This makes each of you a leader in your own right.

We all know that neither you, nor Agway, assumed a leadership role by accident. It took a great amount of work. And even at that, it takes more than just hard work to establish leadership. In an industry such as agriculture, true leadership is seen in those who have a sincere belief in the industry. . .in the free enterprise system. . .and people who are willing to support it in good times and bad.

It is up to people like yourselves to look past the valleys, and to put the situation into perspective for those who depend on your guidance. This is especially important now, as we fight to emerge from one of those valleys. And there's one important factor—perhaps the most important—that we must all keep in mind.

Whether we be from the Northeast, the Midwest, California or the South—we are still part of the same great industry. And whether we produce milk, walnuts, cotton or corn—we are still all producers. If we want the public to understand agriculture, then we must understand

and support each other within the industry during the bad times as well as the good.

Public perception is one of the concerns that all of agriculture feels it has in common. In fact, a recent survey conducted by Monsanto Company shows that a strong 80 percent of all farmers feel the public misunderstands them. This is changing, but I'm afraid that too many Americans still think of government farm policy as a mechanism that spends money to store surpluses. . .to keep prices up at the counter. . .to plow under crops. . .and to pay farmers to do nothing. However unjustified it is—this type of public perception can be damaging to the future of agriculture unless we continue our efforts to clear up the misconceptions.

Let's look at how this applies to the dairy situation that we are facing today. We know that the support program is needed. . .it stabilizes prices. . .and both producers and consumers are served well when it is functioning properly.

The trouble is, the program began a runaway course a few years back. It's still not under control and unless we can put a halt to it, I'm frightened it will smash into a wall of public reaction. The difficult task before us is to first reassure the public that the program is needed. Then, and at the same time, we have to bring the program under control without causing a great hardship on the industry itself.

Keep in mind—I am well aware that the industry is not responsible for the problem. Dairy farmers, like any other farmers, were listening to the signals sent by the market. The trouble began when the big-spending government pushed its fingers too deeply into that market and started changing the signals. You all know that.

Last May this administration announced a plan designed to slow down this runaway pace. We said that unless something was done, our surplus stocks would increase—even though we were distributing the products to the needy people of this nation.

When we announced our plan last May, the government owned 365 million pounds of butter. Today we own more than 401 million pounds. In May we owned 625 million pounds of cheese. Today it's 798 million pounds. And our stocks of nonfat dry milk have gone from 975 million pounds to 1.2 billion pounds.

The total value of these stocks today is $3.1 billion. We're paying $56 million a year in storage costs and another $50 million in transportation. The interest on the money invested in these stocks represents $345 million each year.

As I said—we presented a plan back in May. As you well know, part of that plan was to give the secretary of agriculture authority to set the price support at a level which would start showing results. The plan was not popular with everyone involved—but then, no effective plan would receive unanimous approval. Regardless of the plan, some hardship is going to result when you go about curing a problem of this size.

I am convinced that our program, if adopted early by Congress, would have sent the right signal to the industry—but Congress wouldn't buy it. Instead, they gave us another program. . .the 50-cent assessment that you're going to face in December. . .and I am the one who has to administer it. Believe me, I know perfectly well what it's like to be standing between Evel Knievel and the nearest brick wall.

I'll admit, I don't like the program that Congress came up with. But at the same time, I sincerely hope that it works. . .that it helps get supply and demand more back into line before too much hardship is caused. Because if it doesn't work, we're going to have to come back again next year and try again. And sooner or later, Congress will see that there is only one way to go if we want to get the situation under control.

Now, one other point. I know that you here in the Northeast are in a unique situation—there's no question about it. Even though you produce more than 20 percent of the nation's milk, this is still a deficit area in terms of consumption.

Yet, you cannot isolate yourselves from the total dairy industry of this country any more than the dairy industry can isolate itself from the rest of agriculture. It's more important now, more than ever before, that we stick together. Because, if we fragment ourselves, then we stand the chance to lose the whole program. The chances of that happening are very real. Regardless of where we point the finger of blame, we have to stay together in moving toward the solutions.

The agricultural leadership in the Northeast has to be complimented for its aggressive attitude, and for its desire to be part of the overall recovery of this nation. You're doing your part. Now let's look at some

of the things we're doing in the administration to create a climate for recovery.

That's a distinction I want you to remember. Government is not responsible for creating recovery. We are only responsible for creating the climate for recovery. Long-term prosperity has to be created by people like you and others in agriculture. That's the only way it's going to happen, and that's the way you want it.

Acreage reduction is one way in which farmers can play a strong role by using the tools given to them by this administration. As you know, I was disappointed in the overall compliance figures for this year's reduction program. I'm confident, however, that next year will be different.

I sincerely believe that farmers, who are optimistic by nature, didn't believe prices would stay down. Many didn't participate, and it was a costly decision. But, I believe we'll see a higher participation this time—and higher market prices.

Another action that we have taken was to allocate an additional $60 million for farm storage facility loans. That's $60 million on top of the $40 million that was already allocated. And I'm happy to say that the money is being used.

This administration is also bending over backwards to enhance our export potential in the world market, and to protect the markets that we already have. We've announced a "blended credit" program to encourage foreign buyers to use our credit at more attractive interest rates. . .we've gone the extra mile with the Soviet Union by offering extra protection to their contracts up to 23 million metric tons. . .and we have continued to cover all markets with export trade teams in an attempt to drum up new business.

An important area in which we can keep cashflow money in agriculture is through our Farmers Home Administration. We took some initiatives this past year to keep farmers from going out of business, and we want to continue this initiative during the coming year.

I've already met with the American Bankers Association, the Independent Bankers Association of America and the Farm Credit System. We had only one topic: To build on last year's successful efforts so that we can meet the credit needs of 1983. And I have also

directed every Farmers Home county supervisor to meet personally with local bankers and other private lenders to discuss credit needs and work out local solutions.

This administration, right up to the president, recognizes the contributions that agriculture has made to our economy. . .and this administration believes in the potential that agriculture has for making even greater contributions. This administration wants to work on those opportunities in a cooperative effort. I look to you—the leaders in the industry—to encourage that cooperative spirit.

I believe that we have teamwork going for us in this country—in agriculture as well as in the entire economy. We have a government that is willing to clear the road. . .and we have people like yourselves who are willing to travel that road.

It's important to get people in Congress that will also help us travel that road. We've come so far already. When you look at what has happened so far, I don't think you'll want to change courses.

We're watching interest rates continue to slide downward from where they were when this administration took office. We've seen the growth in our federal spending sliced. . .we've seen a 15 percent cut in income taxes taxes. . .and I know you are especially aware of the reforms we made in the inheritance taxes. We have 20 percent fewer new regulations and the Gross National Product has been up over the last six months.

And just look at what happened to inflation. Remember the double digits and what they did to your operations. I was happy to see that inflation for last month was up only point two percent. The interesting thing is that this latest figure brings actual inflation for the year to only 4.8 percent. That is exactly what it was when the Ford Administration left office. And we all know what happened between 1976 and 1980.

Common sense tells us that we can't stop now. We can't throw away all that we have achieved in just one fiscal year. It all tells me that we're on the road to recovery. We know there will be some bumps along that road yet to come, but common sense tells us that we're headed in the right direction. I sincerely hope that you will help us stay the course. Thank you.

#

News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

HORSE INSPECTIONS INCREASED AT WESTERN CANADA PORTS OF ENTRY

WASHINGTON, Oct. 25—Canadian animal health officials are requiring veterinary inspections of all horses entering Canada at western ports of entry, including those entering for stays of less than 72 hours, a U.S. Department of Agriculture veterinarian said today.

The action, which will remain in effect only until Nov. 1, is due to a recent United States outbreak of vesicular stomatitis, a disease of horses and other livestock that is transmitted by biting insects.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said Canadian officials ordinarily waive the inspection requirements for horses entering for three days or less, provided they have the necessary health and identification documents.

According to Atwell, the tighter inspection requirements will affect only horses entering Canada between Emerson, N.D., and the west coast. This region of the border approximately corresponds to the area that recently experienced a major outbreak of vesicular stomatitis.

"The increased inspections should pose no problem for horses that are in good health and have the required documents," Atwell said. "Besides, the insect season is drawing to an end, eliminating the immediate threat of the disease."

Only a small number of horses are affected by extension of the inspection requirement—those that are entering Canada for short-term events such as rodeos, horse shows and brief trail rides. All other horses must undergo veterinary inspection at Canadian ports of entry.

#

DELAWARE BECOMES 12TH STATE RATED FREE OF CATTLE BRUCELLOSIS

WASHINGTON, Oct. 25—Delaware is the 12th state to become free of brucellosis under a new system, in effect since May, that

classifies states by level of infected cattle herds, a U.S. Department of Agriculture veterinarian said today.

Billy G. Johnson, acting director of the national burcellosis program for USDA's Animal and Plant Health Inspection Service, said the "free" rating means Delaware has had no known burcellosis infection for 12 months or longer.

Other "free" states are: Alaska, Connecticut, Hawaii, Maine, Maryland, Michigan, New Hampshire, New York, North Dakota, Rhode Island and Utah. The U.S. Virgin Islands are also rated "free."

"Properly identified breeding cattle from these states do not have to be blood tested for shipment within or out of state," said Johnson. "For out-of-state shipments, however, a voluntary test 45 to 120 days after arrival is recommended because of possible exposure en route.

"Shipping breeding cattle within or from states that have not reached 'free' status calls for additional testing requirements," Johnson said. "In all classes of states, some cattle from non-quarantined herds are always free to move without prior tests," said Johnson. These include cattle from certified free herds, all cattle under 18 months of age, vaccinated beef cattle under 24 months of age and vaccinated dairy cattle under 20 months of age—if not pregnant or already calved—and cattle shipped directly to slaughter.

Also, steers and spayed heifers may move without tests—even from quarantined herds—because they are rarely affected by brucellosis and cannot spread it.

Brucellosis, or Bang's disease, is a bacterial disease of cattle and other animals which can be transmitted to humans. The disease attacks the reproductive system of animals, causing abortions and breeding problems that result in reduced calf crops and lower milk yields. Infected animals must be slaughtered because there is no treatment.

Human brucellosis, sometimes called undulant fever, is treatable. Though mainly an occupational risk for livestock handlers and slaughter plant workers who contact infected animals or their freshly killed carcasses, the disease can also be contracted by drinking unpasteurized milk.

#

CALIFORNIA FARMERS TO GET $43 MILLION IN USDA CROP INSURANCE

WASHINGTON, OCT. 25—California farmers are expected to collect $43 million in crop insurance from the U.S. Department of Agriculture's Federal Crop Insurance Corporation for losses resulting from unseasonable rains.

"The corporation expects to pay out nearly $30 million in indemnities on raisins alone," said Merritt Sprague, manager of the USDA crop insurance agency. We also estimate that indemnities on wine grapes will reach $7 million and nearly $6 million on tomatoes."

Sprague said these estimates include only California growers of raisins, tomatoes and wine grapes who were insured by his agency. He said the USDA corporation insures slightly more than 56 percent of the raisins produced in California and anticipates losses on nearly 80 percent of the 140,000 tons it insures.

#

USDA AND PERDUE SETTLE PACKERS AND STOCKYARDS COMPLAINT

WASHINGTON, Oct. 25—The U.S. Department of Agriculture and Frank Perdue have agreed to a settlement of charges that Perdue violated the Packers and Stockyards Act by threatening to cut off supplies of his processed poultry products to some New York city area food distributors unless they stopped marketing a rival brand.

Perdue agreed neither to ask for a U.S. Supreme Court rival nor to seek any modification of the U.S. Second Circuit Court of Appeals ruling last May that his marketing of ready-to-cook poultry is subject to USDA jurisdiction under the Packers and Stockyards Act.

USDA agreed to dismiss the charges.

The complaint had been in the courts for the past two years on the question of jurisdiction. The courts never considered the alleged violations.

B. H. Jones, administrator of USDA's Packers and Stockyards Administration, said recent surveys show the unfair practices alleged in the complaint against Perdue have been discontinued.

There is nothing in the dismissal order, he said, which would prevent USDA from filing similar actions in the future.

Perdue is chairman of the board of Perdue Farms, Inc, Salisbury, Md., one of the largest poultry suppliers on the east coast.

The Packers and Stockyards Act is a fair trade practices law, designed to maintain fair and open competition in the marketing of livestock, poultry and seat.

#

USDA WITHDRAWS APPROVAL OF SLOCUM BIRD QUARANTINE STATIONS IN FLORIDA

WASHINGTON, Oct. 25—U.S. Department of Agriculture approval of three commercial bird quarantine facilities, temporarily withdrawn in July 1981 because of the criminal acts of the operators, has been indefinitely withdrawn.

The facilities, operated by Bert and Louise V. Slocum in Miami, Hialeah and Hialeah Gardens, Fla., cannot operate without USDA approval.

According to John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, the withdrawal was based on an administrative determination that the Slocums were found guilty of criminal acts associated with importing birds. These acts led to a widespread outbreak of exotic Newcastle disease among pet birds in 1979.

Approval for the Slocum import facilities was temporarily withdrawn in July 1981 pending the completion of the administrative proceeding.

Atwell said imported birds are required to be quarantined to prevent the introduction of diseases such as exotic Newcastle. Commercial shipments are quarantined either at USDA-approved, privately owned quarantine facilities or at government-operated facilities.

Although devastating to poultry and other birds, exotic Newcastle disease poses no health risk to people who eat poultry or eggs, Atwell said. However, the virus can cause an eye infection or flu-like symptoms in people handling diseased birds. These are usually minor ailments, but should be treated by a physician.

#

SEPTEMBER FOOD PRICES UP SLIGHTLY

WASHINGTON, Oct. 26—The consumer price index (CPI) released today indicates food prices rose 0.1 percent in September (before seasonal adjustment), according to Deputy Assistant Secretary of Agriculture J. Dawson Ahalt.

"Continued moderation in consumer food prices stems from large supplies of many food commodities and small changes in food marketing costs," he said.

Prices for food bought in grocery stores fell 0.1 percent in September but prices for food purchased away from home rose 0.4 percent. September food prices were 3.5 percent higher than a year earlier. This compares with a 5.3 percent rise in retail prices for nonfood items over the past year.

Retail prices for fruits and vegetables were important factors limiting last month's rise in the food CPI. Prices for fresh vegetables fell sharply for the third consecutive month (down 7.4 percent), reflecting large harvests of potatoes, tomatoes, lettuce, and most other fresh vegetables. Fresh fruit prices declined 2.1 percent in September as increased supplies of apples offset lower supplies of oranges and bananas, Ahalt said.

Retail meat prices rose 0.7 percent in September following a 0.8 percent decline in August. Retail pork prices rose 3.3 percent, partly due to lower pork supplies in cold storage, he said.

Reduced stocks of pork bellies (down by 90 percent in the third quarter) contributed to a 6.7 percent rise in bacon prices in September. In contrast, prices for beef and veal fell for the third consecutive month.

Poultry prices also were unchanged in September, Ahalt said.

Retail egg prices rose sharply (8.7 percent) reflecting some pick-up in lagging export demand. Dairy product prices were down 0.2 percent. Prices for cereals and bakery products fell 0.1 percent due to large supplies of food grains and moderation in food marketing costs, Ahalt said.

Retail food price increases this year have been limited by a small rise in the farm value of food and a slowing of food marketing cost increases. Consequently, the 1982 rise in the food CPI will be the smallest since 1976.

Food price rises will again be moderate next year, with the same factors continuing to play important roles. A lower overall inflation rate will again be reflected in food marketing costs, particularly in the labor component. Wage and benefit increases negotiated in many new labor contracts have been moderate and cost-of-living increases will reflect lower inflation, Ahalt said.

The farm value of food is expected to be up some, although increases will be held down by large supplies of many farm foods coupled with sluggish consumer demand, Ahalt said.

September Retail Food Prices, Percent Change for Selected Items

Items	August to September: Not seasonally adjusted	August to September: Seasonally adjusted	September 1981 to September 1982
	Percent change		
All food	0.1	0.5	3.5
Food away from home	0.4	0.6	5.1
Food at home	-0.1	0.5	2.7
Meats	0.7	1.1	5.7
Beef and veal	-0.5	0.6	0.7
Pork	3.3	1.6	16.4
Other meats	-0.3	0.0	4.4
Poultry	0.0	0.1	-1.8
Eggs	8.7	7.1	-7.2
Fish and seafood	0.5	0.0	1.9
Dairy products	-0.2	*	1.1
Fats and oils	0.0	*	-3.8
Cereals and bakery prods.	-0.1	*	3.8
Fruits and vegetables	-2.5	-0.1	0.9

September Retail Food Prices, Percent Change for Selected Items—Continued

Items	Not seasonally adjusted	Seasonally adjusted	September 1981 to September 1982
	August to September		
	Percent change		
Nonalcoholic beverages	0.1	0.4	2.5
Sugar and sweets	0.3	*	2.7
Other prepared foods	0.0	0.2	4.2

* A seasonally adjusted index is not available for these items.

#

USDA APPOINTS COST OF PRODUCTION REVIEW BOARD

WASHINGTON, Oct. 28—Secretary of Agriculture John R. Block today named eleven members to the National Agricultural Cost of Production Standards Review Board, established by the 1981 Agriculture and Food Act.

The board is responsible for advising the secretary of agriculture on the methods used by USDA to estimate the costs of producing major farm commodities and for reviewing parity calculations.

Legislation requires that seven board members be commercial farmers and three others have expertise in cost of production methodology. The eleventh member must be a USDA employee.

Block said the board's chairman will be William Turrentine, a farmer from Garden City, Kans., who raises wheat, sorghum and alfalfa. The vice chairman will be Carol Hallett, a nonfarmer representative from Atascadero, Calif., who serves on the agriculture committee of the California State Assembly.

The other farmer members are Oren Childers, Cordele, Ga.; James Milton Devers, Jr., Nichols, S.C.; Lawrence V. Gray, Nampa, Idaho; Timothy N. Hartsock, Chillicothe, Ohio; Milton J. Hertz, Mott, N.D.; and John H. Kautz, Lodi, Calif.

Other nonfarmer members are Marvin R. Duncan, assistant vice president and economist with the Federal Reserve Bank of Kansas City, and Bobby H. Robinson, professor of agricultural economics and rural sociology, Clemson University.

The USDA member is George Hoffman, deputy administrator of the Economic Research Service.

#

USDA TIGHTENS IMPORT HEALTH TEST RULES FOR CATTLE FROM IRELAND

WASHINGTON, Oct. 28—U.S. Department of Agriculture officials have strengthened brucellosis testing requirements for cattle imported from the Republic of Ireland.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said recent occurrences of brucellosis in Irish cattle have shown that additional documentation is needed to assure disease-free status of imports.

USDA's amended animal import regulations, which take effect Dec. 1, require cattle imported from Ireland to originate from herds that meet rigid test standards of testing to demonstrate that they are free of brucellosis. This includes negative annual herd tests for the preceding two years and records showing that additions to the herd have the same brucellosis-free status.

In addition to the herd health status, individual animals will have to pass two negative brucellosis tests with an interval of not less than 60 days nor more than 120 days between tests. These tests must use all three of the accepted brucellosis testing procedures—the plate—or agglutination—test, the brucellosis card test and the complement fixation test.

Imported cattle must be maintained for at least 60 days before shipment at a separate isolation facility approved by Irish government veterinarians. From that facility they must be shipped directly to the U.S. port-of-entry quarantine station without further contact with other livestock.

This transaction was proposed by USDA officials May 2. Final action is scheduled to be published in the Nov. 1 Federal Register.

Brucellosis is a bacterial disease that causes breeding problems and losses from reduced calf crops and lower milk yields. A cooperative state-federal brucellosis program in the United States has succeeded in reducing the disease in cattle to an extremely low level.

#

USDA EXPANDS CALIFORNIA BOLL WEEVIL SURVEY AND DETECTION EFFORTS

WASHINGTON, Oct. 28—U.S. Department of Agriculture officials are cooperating in expanding and intensifying boll weevil survey and detection activities around the recently discovered infestation in California.

"We are working with the California Department of Food and Agriculture in greatly increasing the number of traps in Imperial and Riverside Counties, the principal California cotton-growing areas under threat," said Harry Mussman, administrator of USDA's Animal and Plant Health Inspection Service. "We are also working with Mexican officials in the Mexicali Valley."

Mussman said officials are analyzing the situation and preparing to recommend a course of action to deal with the pest. "We realize the interest and concern of California cotton growers, who have not had to contend with this serious pest before," he said. "We are just as concerned, and we have had considerable experience with boll weevil.

"We have shown that there are a number of options in dealing with this pest—not only eradication but various management schemes—and we are looking at the situation in California to see what is most appropriate there," he added.

Most eastern cotton-growing areas have been infested with the boll weevil for decades. Recently, however, the weevil was eradicated from Virginia and part of North Carolina in a three-year effort coordinated by APHIS, according to Mussman.

He said USDA cooperates in a boll weevil suppression program in the High Plains of Texas every year. Until recently, this kept the weevil

out of western cotton-growing areas, but the pest has now become fairly widespread in Arizona, and was found near Winterhaven, Calif., earlier this month.

Scientists have speculated that the western weevils may be a separate strain from the insect infesting cotton to the east.

#